

Q2 2016



City of Brawley Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Brawley In Brief

Brawley's receipts from April through June were 4.9% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 12.1%.

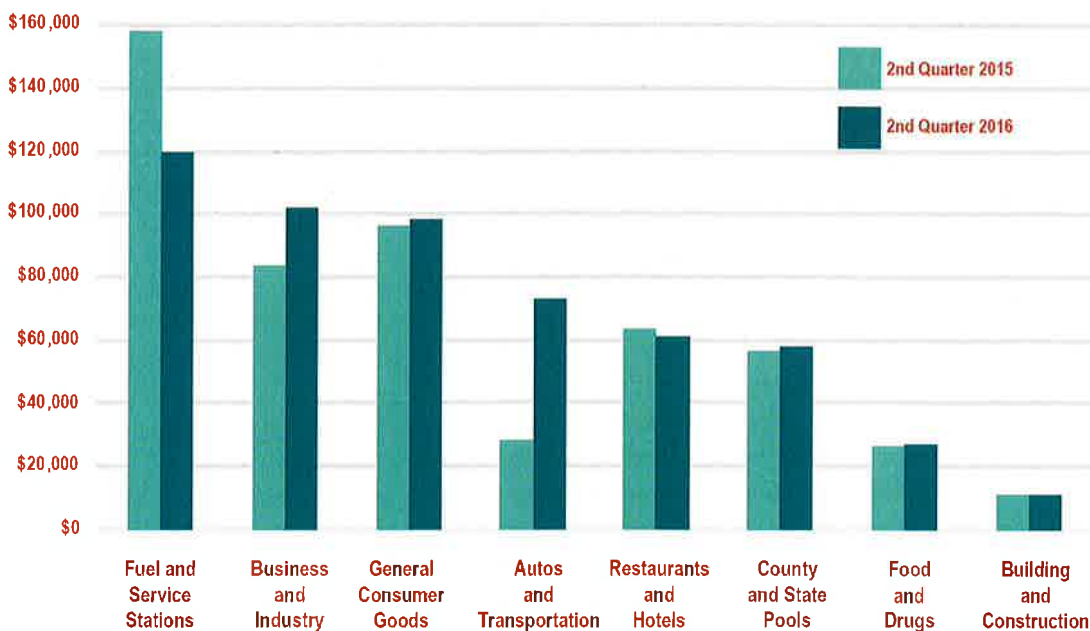
Temporary auto sales combined with recent openings in the autos and transportation group boosted overall gross receipts. The double-digit gain in business and industry was due to the bump in the warehouse/farm/construction equipment category and onetime use tax. The rise in general retail compared to a year ago surpassed the countywide trend.

The City's share of the countywide use tax allocation pool was depressed by a deduction which corrected a reporting error. Once this retroactive adjustment was removed, the City's share rose 38.4%.

The loss in fuel and service stations due to lower gasoline and diesel prices was overstated by a similar event relating to a prior quarter.

Net of aberrations, taxable sales for all of Imperial County declined 15.5% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	McDonalds
Arco AM PM	McNeece Bros Oil
AutoZone	Pierce Manufacturing
Brawley Tractor Parts	RDO Water
Circle K 76	Rite Aid
Exxon	Rock Coffee Shop
HD Supply	Shell
Waterworks	USA Gasoline
Imperial Hardware	Vons
Jack in the Box	Walmart Online
Johnnys Burritos	Walmart Supercenter
Jordan Implement	Weatherford Tubular Services
Les Rogers	
Lidco Imperial Valley	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$467,956	\$492,708
County Pool	56,545	57,753
State Pool	391	168
Gross Receipts	\$524,892	\$550,628
Less Triple Flip*	\$(131,223)	\$0

*Reimbursed from county compensation fund

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California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

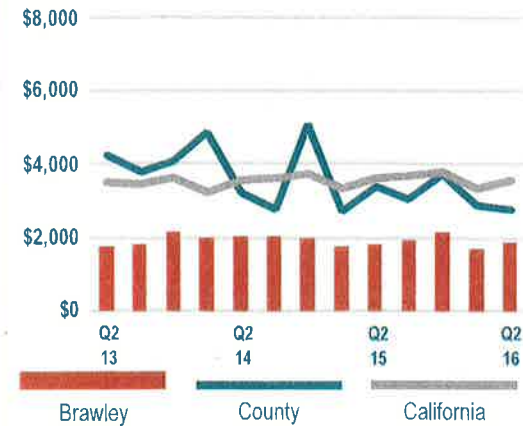
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

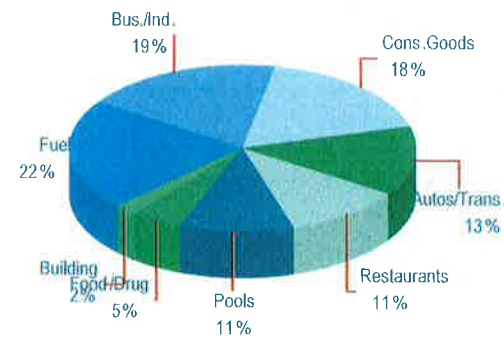
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q2 '16	Change	Change	Change
Auto Repair Shops	6,651	-2.8%	14.7%	4.7%
Automotive Supply Stores	19,910	-6.6%	-1.5%	1.6%
Casual Dining	13,330	-13.1%	1.9%	4.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-4.7%	0.7%
Fulfillment Centers	— CONFIDENTIAL —	—	-2.0%	-3.5%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-9.5%	1.2%
Hardware Stores	— CONFIDENTIAL —	—	0.1%	5.7%
Heavy Industrial	— CONFIDENTIAL —	—	-15.5%	6.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	8.6%	2.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-60.4%	-31.3%
Quick-Service Restaurants	47,678	-1.4%	1.2%	6.7%
Service Stations	77,040	-15.5%	-23.6%	-19.2%
Trailers/Auto Parts	— CONFIDENTIAL —	—	67.3%	-8.0%
Variety Stores	— CONFIDENTIAL —	—	4.9%	7.8%
Warehouse/Farm/Const. Equip.	62,932	41.5%	-2.8%	6.2%
Total All Accounts	492,708	5.3%	-18.1%	-0.6%
County & State Pool Allocation	57,921	1.7%	-20.8%	15.2%
Gross Receipts	550,628	4.9%	-18.4%	1.4%